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CENTRAL INTELLIGENCE AGENCY

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SOURCE

1. Prior to 1 October 1952, all former German industrial plants and other economic enterprises in Hungary which were taken over by the USSR after World War II were united under so-called stock companies (aktsionernyye obshchestva - A/O s). These A/Os were fully controlled by the Soviets and were directly subordinate to the Third Directorate of GUSIMZ in Moscow. This organization in Hungary was called the Directorate for Soviet Property in Hungary (USIV.)
2. Altogether there were perhaps 200 to 300 Soviets and several thousand Hungarians employed in USIV. The head of this organization in Hungary was Rusanov who was the plenipotentiary of GUSIMZ. Rusanov did not have broad, directional authority over the various A/Os of USIV. His principal responsibility was to serve as a coordinator on important economic matters between the A/Os and GUSIMZ, between the A/Os and the Hungarian State Planning Office, and between the A/Os and individual Hungarian economic ministries. To assist him in his work, Rusanov had a staff of about 10 Soviet employees including Shekin, an advisor for economic matters, two or three legal advisors, several accountants, and two or three secretary-stenos. In addition to this, there were several Hungarian employees on his staff. There was also a First Section in USIV which was a classified documents registry and repository. Only a few Soviets worked in this section. Hungarians were not permitted access to the material in this section, which consisted basically of directives and instructions from GUSIMZ on all matters pertaining to USIV and its subordinate enterprises.

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3. In USIV, there were altogether 10 A/Os which controlled various types of industrial plants and other Soviet economic enterprises in Hungary. These were:
 - a. A/O Kabel - controlled subordinate plants which produced cable, electric motors, generators, batteries, transformers, and other electrical apparatus of all types.
 - b. A/O Podemnik - controlled a few small machine-building plants and several iron foundries.
 - c. A/O Vkus - controlled food canning, alcohol, and liquor plants.
 - d. A/O Textil - controlled plants which manufactured cloth and yarn.
 - e. A/O Dunavolgyi - controlled former German bauxite mines in Hungary and plants producing alumina - Al_2O_3 .
 - f. A/O Maszolah - controlled petroleum extraction and refining facilities which formerly belonged to the US Standard Oil Company.
 - g. A/O Maszovlet - controlled a joint civil air stock company in Hungary together with planes, hangars, and workshops.
 - h. A/O Meszhart - controlled property which formerly belonged to the German Danube River Shipping Concern.
 - i. A/O Tatabanya - controlled former German coal mines.
 - j. An unidentified A/O - controlled at least one former German plant which produced river boats.

4. All general directors and other key officials in these A/Os were Soviets. To all intents and purposes these A/Os were fully controlled and owned by the Soviets though the Hungarian Government may have owned a small percentage of the stock in some of the subordinate concerns. The A/O general directors worked quite independently of Rusanov, the plenipotentiary of GUSIMZ, and dealt directly with the Third Directorate of GUSIMZ on almost all matters. Most directives and instructions from GUSIMZ were distributed to the various A/O general directors through the First Section of GUSIMZ without first going through Rusanov. Only those directives which pertained to USIV as a whole first went through Rusanov before being routed to the various A/O heads. However, Rusanov played a key role in such matters as yearly capital investment and yearly production plans for USIV enterprises. Such plans were first drawn up by individual plants for the coming year and submitted to the A/O under whose jurisdiction they happened to be. Each A/O administrative staff would then review these plans and work out a joint plan for the A/O. One copy of this was sent to the Third Directorate of GUSIMZ while another copy went to the plenipotentiary of GUSIMZ in Hungary. The latter, with his staff, worked out a joint production and capital investment plan for all of USIV. After review by GUSIMZ in Moscow, these plans were returned to Rusanov in Hungary and had to be integrated with the economic plans of Hungary. This was necessary because most of the equipment and raw materials needed by USIV plants for new construction, renovation, as well as for production, had to be provided by the Hungarian government. The majority of the goods produced by USIV plants was also sold to the Hungarian government. It was Rusanov's responsibility to see that yearly USIV plans were approved by the individual Hungarian economic ministry as well as by the Hungarian State Planning Office.

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Though Rusanov frequently had to exert pressure, these plans were invariably approved by the Hungarian State Planning Office and the individual ministries. Thus, Soviet plants in Hungary had no problem with regard to meeting production norms and disposing of finished goods; however, because of this, many Hungarian plants which produced similar goods were frequently forced to curtail their production in order to prevent a large excess of goods from accumulating.

5. The administrative structure of the various A/Os under USIV was similar so that A/O Kabel may be noted as an example. The general director of A/O Kabel was a Soviet by the name of Polyukhov. The chief engineer was also a Soviet named Maksimov. In addition to this, there were two Soviet secretary-stenos in Polyukhov's office and a subordinate administrative force which included five small staff sections with a total of about 23 employees. These were:
 - a. The Production Section which employed three Soviets and about three Hungarians.
 - b. The Planning Section which had one Soviet and two Hungarians.
 - c. The Legal Section which consisted of one Soviet and two Hungarians.
 - d. The Commercial Section which had one Soviet and two Hungarians.
 - e. The Accounting Section which employed two Soviets and about six Hungarians.

The duties of these staff sections were the same as the duties of staff sections subordinate to A/O Kabel of USIA. 1

5. Altogether there were the following eight electromechanical plants subordinate to A/O Kabel, all of which were located in Budapest except for the Ervert es Tarsai Plant which was located in Komarom (N 47-45, E 18-06).
 - a. Felten and Guillaume Plant - the general director of this plant was Degtyarev. In addition to the general director, the only Soviet in this plant was Komlev, the chief engineer. Production included all types of cable and insulated electric wire. Value of the planned output for 1952 was approximately 200,000,000 forints. The plant had a total work force of about 1,200 to 1,500 persons.
 - b. Budapest Mechanical and Cable Plant - Production of the plant included cable, insulated electric wire, electric motors, generators, and various electrical apparatus. 2 The value of the planned output for 1952 was approximately 420,000,000 forints. The plant had a total work force of about 4,200 to 4,300 persons.
 - c. Kabel Gyar - Polushonkov, the general director of this plant, and the chief accountant were the only Soviets. Production included light cable, insulated electric wire, and various plastic articles for automobile and household use. The value of the planned output for 1952 was about 130,000,000 forints. The plant had a total work force of about 900 to 1,000 persons.

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- d. Tudor Plant - the only Soviet employee in this plant was Afonim, the general director. Production included storage batteries of all sizes, as well as dry cells for flashlights. The value of the planned output for 1952 was approximately 100,000,000 forints. The plant had a total work force of about 600 persons.
- e. Hoppeke (sic) Plant - the general director of this plant was also Afonim. There were no other Soviets employed. Production included storage batteries for trucks and automobiles, as well as dry cells for flashlights. The value of the planned output for 1952 was about 10,000,000 forints. The plant had a total work force of approximately 60 persons.
- f. Robert Bosch Plant - the general director of this plant was the only Soviet employee. Production included electrical apparatus for trucks and automobiles such as ignition switches, direction signals, etc. The value of the planned production for 1952 was approximately 50,000,000 to 60,000,000 forints. The plant had a total work force of about 350 persons.
- g. AEG Plant - the general director of this plant was a Soviet who died in the latter part of 1952 from cancer. All other employees were Hungarian. Production included small and medium size transformers up to 5,000 kva. The value of the planned production for 1952 was about 80,000,000 forints. The plant had a total work force of about 500 persons.
- h. Ervert és Tarsai Plant - [redacted]

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[redacted] There were no other Soviet employees. The value of the planned production for 1952 was about 5,000,000 forints and the foundry had a total work force of about 50 persons.

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7. Although each of the plants in A/O Kabel had a Hungarian as well as a Soviet general director, prior to October 1952 the Hungarian head had no directional authority and [redacted] could make no decisions without first obtaining the Soviet director's approval. These Hungarian directors were invariably active Communists and the majority were not technically qualified men. Their main function was to act as liaison between the Hungarian plant employees and the Soviet plant direction. In addition to carrying out the latter's orders, they kept the Soviet plant directors posted on all that transpired in the plant and at Hungarian plant employees' Party and labor union meetings which Soviet officials could not attend.
8. The majority of products manufactured by USIV plants were sold on the Hungarian internal market. Only a relatively small proportion of the goods was exported to the West or to the USSR. [redacted]
9. From the time they were taken over by the Soviet government after World War II until they were sold to the Hungarian government in October 1952, a large amount of capital was invested in USIV plants. On the average, the capacity of these plants was increased to double that of the prewar capacity by the construction of new shops and the addition of modern equipment and machinery. New living quarters for workers, nurseries for children of plant workers, rest centers, etc., were also constructed. In general these plants were more modern and better in every way than the average Hungarian plant. The condition of Soviet plants in Hungary was also far better than that of Soviet plants in Austria where USIA plants had been almost completely stripped of all useful equipment following World War II.

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This dismantled equipment had been shipped to the USSR, and USIA plants never regained their prewar capacity even though the USSR did install some modern equipment and started a belated drive to rebuild these plants in 1954.

10. In October 1952, an agreement was reached whereby the enterprises in Hungary were turned over to the Hungarian government. Under this agreement the USSR received a sum of money for those plants and enterprises which were turned over but source did not know the specific terms of this exchange. At the same time the USSR formed four joint stock companies with the Hungarian government with the stock divided on a 50-50 basis. These four joint stock companies were composed of all former Soviet holdings not sold outright to the Hungarian government as well as Hungarian enterprises in the same economic field. In addition, [redacted] the USSR contributed a portion of perhaps all of the money received from the sale of their other holdings in Hungary to this joint venture. These joint Soviet Hungarian stock companies were known as:

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- a. Maszola - the joint stock company which controlled the petroleum industry in Hungary. [redacted] Hungary produced a relatively small quantity of petroleum which apparently was not sufficient for their own needs since some POL was also imported by Hungary from Austria. 50X1
- b. Maszobal - the joint stock company which controlled the aluminum industry in Hungary. [redacted] up to 1953 there was only one plant in Hungary which could produce aluminum from alumina by electrolysis. As a result, most of the aluminum oxide produced was shipped to the USSR. The main drawback was the lack of sufficient electric power in Hungary for this process. 50X1
- c. Maszovlet - the joint civil air stock company in Hungary.
- d. Meszhart - the joint stock company which controlled Danube shipping facilities in Hungary.

Except for Rusanov, the plenipotentiary of GUSIMZ, and his staff, most Soviet officials who were connected with USIV were recalled to the USSR. Former Soviet plant directors remained until January 1953 in the capacity of advisors to Hungarian plant directors at the plants where they had formerly been directors. [redacted] 50X1

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[redacted] the joint Soviet Hungarian stock companies continue to function under Soviet direction and guidance as does all Hungarian industry, through the influence of Soviet advisors in individual Hungarian economic ministries and in the Hungarian State Planning Office. [redacted] 50X1

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1. [redacted]

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2. [redacted]

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